

Message Text

SECRET

PAGE 01 ANKARA 06117 250759Z

ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W

-----104911 250808Z /10

O 250715Z AUG 78

FM AMEMBASSY ANKARA

TO SECSTATE WASHDC IMMEDIATE 3093

S E C R E T ANKARA 6117

EXDIS

E.O. 11652 XGDS-1

TAGS: EFIN, IMF, PEPR, TU

SUBJ: A TURKISH REACTION TO ELEKDAG-MUEZZINOGLU VISIT

REFS: (A) STATE 212702, (B) STATE 214419

SUMMARY: A SENIOR OFFICIAL OF THE TURKISH TREASURY COMMENTED TO EMBOFF TODAY THAT US UNRESPONSIVENESS TO ECONOMIC APPEALS OF ELEKDAG AND MUEZZINOGLU WOULD, IN HER VIEW, RESULT IN A CHANGE IN TURKISH POLICY TOWARD THE US. SHE QUESTIONED US COMMITMENT TO STRATEGIC STABILITY IN THIS REGION AND IMPLIED THAT TURKEY WOULD BE FORCED TO TURN TO CLOSER RELATIONS WITH THE EASTERN BLOC COUNTRIES IF US DID NOT RESPOND. TURKEY INSISTS THAT IT HAS MET THE CONDITIONS OF ITS IMF STANDBY BUT IS RESIGNED TO THE FACT THAT IT MAY NOT BE ABLE TO CONVINCE THE FUND WITH ITS ARGUMENTS. TURKEY AND THE FUND ARE STILL AT AN IMPASSE ON THE ISSUE OF DEVALUATION. END SUMMARY.

1. AYSEL OYMEN, TREASURY DIRECTOR GENERAL FOR FOREIGN FINANCING, TOLD EMBOFF THE MORNING OF AUGUST 24 THAT IN HER OPINION THE FAILURE OF THE US GOVERNMENT TO BE MORE RESPONSIVE TO TURKEY'S ECONOMIC APPEALS, ESPECIALLY FOR US INTERVENTION WITH IMF, WOULD RESULT IN A SIGNIFICANT CHANGE IN TURKEY'S POLICIES TOWARD THE US. OYMEN CAUTIONED THAT SHE

SECRET

SECRET

PAGE 02 ANKARA 06117 250759Z

WAS NOT AUTHORIZED TO TALK ON THESE MATTERS BUT THAT SHE WAS EXPRESSING HER OWN VIEWS "OFF-THE-RECORD".

2. OYMEN ASKED WHETHER THE US GOVERNMENT REALIZED THAT TURKEY WOULD BE FORCED TO SEEK CLOSER TIES WITH "THE OTHER SIDE" NOW THAT THE IMPASSE WITH THE IMF HAD NOT BEEN OVERCOME. EMBAOFF REPLIED THAT USG HAD TRIED TO BE

AS FORTHCOMING AS POSSIBLE BUT THAT WE HAD CONSTRAINTS ON OUR ABILITY TO RESPOND TO TURKISH REQUESTS; HE ADDED THAT OUR POLICY WAS NOT TO INTERFERE WITH THE INDEPENDENCE OF THE IMF. OYMEN SAID THAT MORE WAS AT STAKE THAN JUST TURKEY AND THE INTEGRITY OF INSTITUTIONS; THE GEOPOLITICAL STRUCTURE OF THE MIDDLE EAST WAS IN JEOPARDY. THE RECENT COUP IN AFGHANISTAN, THE CURRENT DISTURBANCES IN IRAN, AND THE ECONOMIC TROUBLES OF TURKEY ARE A CHALLENGE TO WESTERN POLICY. SURELY, SHE ASKED RHETORICALLY, THE STABILITY OF THIS STRATEGIC REGION WAS MORE IMPORTANT TO THE US THAN THE INTEGRITY OF THE IMF.

3. OYMEN SAID SHE WOULD BE MEETING WITH THE IMF TEAM IN THE AFTERNOON AND HOPED TO CONVINCE THEM THAT TURKEY HAD MET THE CONDITIONS OF THE IMF STANDBY. SHE SAID THAT THE CEILINGS ON CENTRAL BANK MET DOMESTIC ASSETS AND CREDIT TO THE PUBLIC SECTOR HAD BEEN MET. CONFUSION ON THIS ISSUE AROSE FROM MISCALCULATIONS WHICH HAD EARLIER ERRONEOUSLY INCREASED CENTRAL BANK ASSETS BY TL 9 BILLION. IN ADDITION, SHE HOPED TO CONVINCE THE IMF THAT TURKEY'S TAX REBATE SYSTEM CORRESPONDS TO ACTUAL TAXES WHICH ARE REIMBURSED TO EXPORTERS AND THAT THE BILATERAL AGREEMENTS WITH LIBYA AND IRAN ARE REALLY PETROLEUM PURCHASE AGREEMENTS AND NOT BILATERAL CLEARING ARRANGEMENTS.

4. ON THE ISSUE OF DEVALUATION, SHE SAID FLATLY THAT
SECRET

SECRET

PAGE 03 ANKARA 06117 250759Z

TURKEY WOULD NOT DEVALUE. WHEN ASKED ABOUT THE RECENT PROPOSAL TO PEG THE TURKISH LIRA TO THE SDR, SHE SAID THAT THIS WAS BEING DISCUSSED AND EXPLAINED TO MINISTERS WHO DIDN'T KNOW WHAT AN SDR WAS. SHE SAID THAT PUBLIC REACTION TO THE PROPOSAL WAS NOT UNFAVORABLE AND THAT WHEN THE PROPOSAL WAS APPROVED THE LIRA WOULD INITIALLY BE PEGGED TO THE SDR AT A LEVEL WHERE THE DOLLAR EXCHANGE RATE WOULD BE TL 25 TO \$1.00.

5. IN RESPONSE TO A QUESTION ABOUT EFFECT OF WAGE AGREEMENTS ON THE PUBLIC SECTOR BUDGET, OYMEN SAID THAT THE GOVERNMENT WOULD COMPENSATE FOR THE WAGE INCREASES BY REDUCING INVESTMENT EXPENDITURES. WHEN ASKED WHETHER THIS WOULD NOT BE SELF-DEFEATING, SHE AGREED, BUT ADDED THAT THE GOVERNMENT HAD NO CHOICE. INVESTMENT PROJECTS WERE ALREADY BEING DELAYED FOR THE LACK OF LOCAL CURRENCY.

6. OYMEN WAS COOL AND CALM, EXPRESSING RESIGNATION RATHER THAN ANGER. SHE ADMITTED THAT PROSPECTS FOR AGREEMENT WITH THE IMF WERE SLIGHT BUT SHE WAS PREPARED TO TRY TO CONVINCE THE FUND THAT TURKEY, IN FACT, HAD COMPLIED

WITH CONDITIONS OF THE STANDBY AGREEMENT. OYMEN ALSO HOPED TO CONVINCE THE FUND THAT TURKEY'S FIVE-YEAR PLAN STRATEGY FORMED THE BASIS OF A NEW POLICY TO ORIENT THE ECONOMY TOWARD EXPORTS AND REPRESENTED A BREAK WITH THE IMPORT-SUBSTITUTION POLICIES OF THE PAST.

7. COMMENT: MRS. OYMEN ASSERTS IN STARKER FOR THOUGHTS THAT MANY PEOPLE HERE HAVE. BECAUSE OF HER INTENSE AWARENESS OF THE SERIOUSNESS OF TURKEY'S FINANCIAL CRISIS, WHICH THE GOVERNMENT IN PUBLIC IS GENERALLY GLOSSING OVER, SHE HAS A GREATER TENDENCY THAN MOST TO TALK IN TERMS OF ARMAGEDDON. WE TAKE HER REMARKS SERIOUSLY, HOWEVER, BOTH BECAUSE OF THE POSITION SHE HOLDS IN THE MINISTRY OF FINANCE, AND BECAUSE HER
SECRET

SECRET

PAGE 04 ANKARA 06117 250759Z

HUSBAND IS A SENIOR RPP MEMBER OF PARLIAMENT. EVEN IF THE CONSEQUENCES SHE PROJECTS MAY BE OVERDRAWN, HER WORDS ARE AN IMPORTANT CLUE TO THE STATE OF MIND OF THAT SMALL GROUP OF SENIOR PEOPLE HERE WHO ARE MAKING DECISIONS.
DILLON

SECRET

NNN

Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: VISITS
Control Number: n/a
Copy: SINGLE
Draft Date: 25 aug 1978
Decaption Date: 20 Mar 2014
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978ANKARA06117
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: X1
Errors: N/A
Expiration:
Film Number: D780348-0280
Format: TEL
From: ANKARA
Handling Restrictions:
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780820/aaaaaqug.tel
Line Count: 142
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 4f3b755b-c288-dd11-92da-001cc4696bcc
Office: ACTION SS
Original Classification: SECRET
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: SECRET
Previous Handling Restrictions: EXDIS
Reference: 78 STATE 212702, 78 STATE 214419
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 13 jun 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1613462
Secure: OPEN
Status: NATIVE
Subject: A TURKISH REACTION TO ELEKDAG-MUEZZINOGLU VISIT
TAGS: EFIN, PEPR, TU, IMF, (ELEKDAG, SUKRO)
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/4f3b755b-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014